

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

IN RE:

**PARTICLE DRILLING
TECHNOLOGIES INC., A NEVADA
CORPORATION, et al., DEBTORS**

**Bankruptcy Case No. 09 33744-H1-11
Jointly Administered**

**PSI DISTRIBUTION INCORPORATED,
PRODRIL SERVICES INTERNATIONAL
LIMITED, CREDITORS**

Civil Case No. 4:09cv2366

APPELLANTS

STATEMENT OF THE ISSUES

Come now PSI Distribution Incorporated and ProDril Services International Limited, Appellants, through counsel, pursuant to Fed.R.Bankr.P. 8006, and file this statement of the issues or assignments of error and designate the same as follows:

1. Whether the Bankruptcy Court erred in failing to find that the agreements between Appellants and Appellee are Executory Contracts that must be assumed or rejected, and, if rejected, that the proper remedy for the breach of the Executory Contracts is a rescission of the Agreements.
2. Whether the Bankruptcy Court erred by granting the DIP lender a super priority lien with priority over the Appellant's Royalty Rights.
3. Whether the Bankruptcy Court erred by finding that the Debtor could sell the patents free and clear of the Appellant's Royalty Rights.
4. Whether the Bankruptcy Court erred by not finding that Royalty Rights are not a debt/lien requiring perfection under the UCC but an equitable lien or right following the patent. Alternatively,

if found to be a lien, whether the Bankruptcy Court erred by not finding that royalty rights are self perfecting under Article 9 of the UCC.

5. Whether the Bankruptcy Court erred by not finding that equity demands that the Appellee not be allowed to break the covenant not to assign the patents to a third party without such third party agreeing to assume the royalty obligations.

RESPECTFULLY SUBMITTED, this the 3rd day of August, 2009.

PSI DISTRIBUTION, INCORPORATED
AND
PRODRIL SERVICES INTERNATIONAL LIMITED

By: /s/ Michael D. Greer

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CERTIFICATE OF SERVICE

I certify that on August 3, 2009, a true and correct copy of the foregoing was served upon all parties receiving notice via the ECF System.

BY /s/ Michael D. Greer